STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

of

STANDARD LIFE AND CASUALTY INSURANCE COMPANY

of

Salt Lake City, Utah

as of

December 31, 2013

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April 17, 2015

SALUTATION
Honorable Todd E. Kiser, Commissioner
Utah Insurance Department
3110 State Office Building
Salt Lake City, Utah 84114

Commissioner:

Pursuant to your instructions and in compliance with statutory requirements, an examination, as of December 31, 2013, has been made of the financial condition and business affairs of:

STANDARD LIFE AND CASUALTY INSURANCE COMPANY
Salt Lake City, Utah

hereinafter referred to in this report as "the Company," and the following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

The last financial examination of the Company was completed as of December 31, 2010. The current examination is a full scope examination covering the period from January 1, 2011 through December 31, 2013, including any material transactions or events occurring subsequent to the examination date and noted during the course of the examination.

The purpose of this examination is to assess the financial condition of the Company and its holding company system. The examination was conducted by representatives of the Utah Insurance Department ("Department") at the Company's administrative office in Salt Lake City, Utah, which is the primary location of the Company's books and records.

Examination Procedures Employed

We conducted our examination in accordance with the risk-focused examination approach as prescribed by the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook* ("Handbook"). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company's corporate governance, identifying and assessing inherent risks within the Company, and evaluating internal controls, policies, and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions, when applicable to domestic state regulations.

Workpapers of the Company's independent auditor, Larson & Company, were reviewed and relied upon whenever possible and applicable to assist in the completion of examination procedures.

Status of Prior Examination Findings

Prior examination covered the period from January 1, 2007 to December 31, 2010. No significant outstanding issue from the prior examination deemed necessary for further follow up by the examiners.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Issues discovered during the course of this examination that are not considered to be material weaknesses were presented to management for their consideration in the Management Letter.

Items of significance commented on in this report are summarized below:

1. The Company did not timely file with the Department its most recent amended bylaws dated July 5, 2012. Pursuant to Utah Code Annotated (U.C.A.) § 31A-5-203, a copy of the bylaws, and any amendments to them, shall be filed with the commissioner within sixty (60) days after their adoption (COMPANY HISTORY).

2. The Company did not submit a Form D, Prior Notice of a Transaction, filing to the Department for the Tax Consolidation Agreement dated May 12, 2004, with its parent company, Fidelity Ventures, Inc. in accordance with U.C.A. § 31A-16-106(1)(b)(iv) (MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE).

3. The Company did not properly maintain the listing of individual and agency producers' appointments and terminations in SIRCON pursuant to the requirement of Utah Administrative Code (U.A.C.) R590-244-11 (TERRITORY AND PLAN OF OPERATIONS).

4. The Company's custodial agreement with Wells Fargo Bank Northwest, N.A. dated September 2001 was not in compliance with U.A.C. R590-178. The agreement did not contain certain languages as required by U.A.C. R590-178.

In addition, a revised custodial agreement executed with Morgan Stanley Smith Barney dated July 6, 2011 was not authorized by a board resolution in accordance with U.A.C. R590-178-5(B), which states, "Agreements shall be in writing and shall be authorized by a resolution of the Board of Directors of the insurance company or of an authorized committee of the board pursuant to 31A-5-412."

Management agreed with the finding and is working to resolve the issue (ACCOUNTS AND RECORDS).

SUBSEQUENT EVENTS

There were no material subsequent events noted for inclusion in this report.

COMPANY HISTORY

General

The Company was initially incorporated as a South Carolina domiciled stock life insurance company on October 1, 1946, and commenced business on October 1, 1948. In 1980, the Company was acquired by American Investors Assurance Company. Effective September 29, 2001, the Company re-domesticated to Utah.

The Company is authorized to transact the following lines of business: life, accident & health, and annuity. As of the examination date, the Company is licensed in seventeen (17) states. Subsequent to the examination date, the Company was approved for licenses in Oklahoma, Ohio, and Arkansas.

For operations and investments the Company has been conservatively managed under the same management and ownership for the past thirty four (34) years.

The Articles of Incorporation were amended on March 13, 2013. The amendment affected the registered office and agent, Board of Directors, and company officers. Additionally, the amendment indicated that the stated capital of the Company shall be $1,627,500, consisting of 525 issued and outstanding shares with a par value of $3,100 per share.

The Company did not properly file the most recent amended bylaws dated July 5, 2012, with the Department within sixty (60) days as required by U.C.A. § 31A-5-203(4).

Dividends and Capital Contributions

During the year 2013, the Company received capital contributions in the amount of $800,000 from its parent company, Fidelity Ventures, Inc., which increased gross paid in and contributed surplus from $278,818 to $1,078,818.

Dividends paid to stockholders during the examination period were as follows:

Year	Amount
2011	$456,366
2012	$137,410
2013	$296,000
Total:	$889,776

Subsequent to the examination date, the Company paid dividends in the amount of $316,973, and $55,000 to Fidelity Ventures, Inc. in 2014 and 2015, respectively. These dividends are relied upon to pay off the $800,000 loan that Fidelity Ventures, Inc. took out to contribute to the Company's capital and surplus. The dividends were approved by the Department.

Mergers and Acquisitions

There were no mergers or acquisitions during this examination period.

CORPORATE RECORDS

Minutes Review

The minutes of the meetings of the Board of Directors, committees thereof, and the annual meetings of the stockholder from January 1, 2011, through the completion of fieldwork were reviewed. The minutes reflected the ratification, confirmation, and approval of the transactions and events undertaken by the Board of Directors.

Conflict of Interest

Each year members of the Board of Directors and officers are required to complete and sign a conflict of interest statement disclosing any employment, affiliation, or substantial interest in any other business or enterprise which could conflict with the proper and faithful performance of their duties and responsibilities to the Company. During the period of this examination, except for 2013, signed conflict of interest statements were obtained from directors and officers each year. The examination requested that a policy and procedure be put in place to ensure proper signed conflict of interest statements be obtained from all directors and officers.

MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE

Board of Directors

The Company's bylaws indicated that the number of directors may not be less than three (3) or more than ten (10).

The following persons served as directors of the Company as of December 31, 2013:

Name and Location	Primary Occupation
John Francis Piercey Salt Lake City, Utah	Chairman Standard Life & Casualty Insurance Company
John Bradley Piercey Salt Lake City, Utah	President & Chief Executive Officer Standard Life & Casualty Insurance Company
Milo Scovil Marsden, Jr. Salt Lake City, Utah	Attorney (Retired) Marsden & Bell, LLC
George Ray Hale Salt Lake City, Utah	Construction Contractor (Retired) Self Employed
Grant Alan Mortensen Salt Lake City, Utah	Secretary & Treasurer Standard Life & Casualty Insurance Company
Manual Hendrix Salt Lake City, Utah	Assistant Athletic Director University of Utah

Officers

The Company's bylaws provide for officers to consist of the Chairman, a President, one or more Vice Presidents, a Secretary, a Treasurer, and at the discretion of the Board of Directors, one or more assistant secretaries and/or treasurers. The same person shall not occupy the offices of President and Secretary.

Officers as of December 31, 2013 were as follows:

Name	Title
John Francis Piercey	Chairman
John Bradley Piercey	President & Chief Executive Officer
Grant Alan Mortensen	Secretary & Treasurer

Subsequent to the examination period, the Company added Mr. Todd Richard Tippets as an Executive Vice President.

Committees

The following committee was in place as of December 31, 2013:

Executive Committee	
Name	**Location**
John Francis Piercey	Salt Lake City, Utah
John Bradley Piercey	Salt Lake City, Utah
George Ray Hale	Salt Lake City, Utah
Manual Hendrix	Salt Lake City, Utah

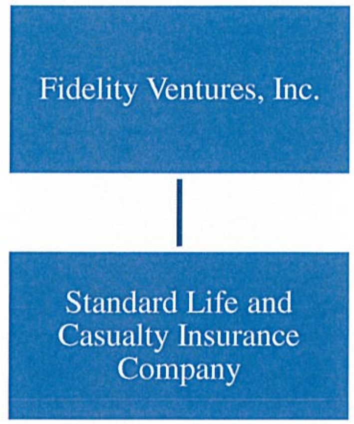
The Company does not have a distinct Audit Committee. The Audit Committee function is handled by the entire Board at regular meetings.

Holding Company

The Company is a member of a Holding Company as defined in U.C.A. § 31A-16. The Company is a wholly owned subsidiary of Fidelity Ventures, Inc. ("Fidelity"). Fidelity is a Utah corporation owned by numerous trusts. See table below:

Fidelity Ventures, Inc. Stockholders Ledger		
Name of Owner	Trustee (if Trust)	% of Stock Owned
John F. Piercey		3.00 %
Mary Jane Piercey Living Trust	John F. Piercey	3.00%
J. Bradley Piercey Trust	Mary Jane Piercey	45.06%
Kristen A. Piercey Trust	Mary Jane Piercey	14.45%
Jani P. Stone Trust	Mary Jane Piercey	9.33%
M. David Piercey Trust	Mary Jane Piercey	11.03%
Kira E. Stone Trust	Mary Jane Piercey	0.50%
Samantha M. Stone Trust	Mary Jane Piercey	0.50%
Matthew P. Stone Trust	Mary Jane Piercey	0.50%
Amanda R. Stone Trust	Mary Jane Piercey	0.50%
Alexa M. Stone Trust	Mary Jane Piercey	0.50%
Joseph P. Stone Trust	Mary Jane Piercey	0.50%
Paige J. Piercey Trust	Mary Jane Piercey	1.90%
Ava E. Piercey Trust	Mary Jane Piercey	1.90%
Nicholas J. Piercey Trust	Mary Jane Piercey	1.90%
Katelyn S. Piercey Trust	Mary Jane Piercey	0.65%
Lauren O. Piercey Trust	Mary Jane Piercey	0.65%
FVI Treasury Shares		4.12%

The organizational chart below reflects ownership of the Company as of December 31, 2013.



Transactions and Agreements with Affiliates

The Company entered into a Tax Consolidation Agreement with Fidelity whereby the Company and Fidelity's income tax returns are consolidated. The Company has not submitted a Form D, Prior Notice of a Transaction, filing to the Department for this agreement in accordance with U.C.A. § 31A-16-106(1)(b)(iv).

FIDELITY BONDS AND OTHER INSURANCE

The minimum fidelity bond coverage suggested by the NAIC for the Company's size is between $225,000 and $250,000. As of the examination date, the Company had fidelity bond coverage of $300,000 with Hartford Fire Insurance Co. with a single loss deductible of $5,000. In addition, the Company also had workers compensation, employers liability, business liability, and automobile insurance coverage.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company provides a 401(k) plan to full-time employees. The 401(k) is managed through Nationwide and has a Company matching of 3% of employee salary regardless of participation by the employee. In addition, the company offers medical and long-term disability coverage to all eligible employees.

TERRITORY AND PLAN OF OPERATION

As of the examination date, the following policies were actively issued:

Life

Life insurance continues to be the top priority for the Company's marketing strategy. Compared to 2012, life insurance premium income increased by almost 24%. Individual life products include final expense, whole life, and term life.

Year	Premium	$ Increase	% Increase
2012	$3,632,068	$554,019	18.00%
2013	$4,501,846	$869,778	23.95%

Individual Accident & Health

The Company is in the process of transitioning its individual accident & health product lines away from plans that are subject to the Patients Protection and Affordable Care Act. As a result, the premium from all individual accident & health policies decreased 18.91% and 22.36% in 2012 and 2013, respectively.

Year	Premium	$ Decrease	% Decrease
2012	$5,033,796	($1,173,622)	18.91%
2013	$3,908,055	($1,125,741)	22.36%

The main marketing focus for individual accident & health is Medicare Supplement insurance and short-term medical insurance. Other products in this line of business include short-term disability insurance, cancer insurance, and hospital indemnity insurance.

Group Accident & Health

The premium in this line of business is the remnant of what was once a relatively large block of blanket accident insurance issued to public and private schools, recreation groups, and day care centers. Premium amount as reported in the 2013 annual statements was less than $100,000.

The Company marketed its product through individual and firm agencies. During the review of agents appointments and terminations, it was noted the list of agents that were appointed/terminated during the examination period in the state of Utah provided by the Company did not agree to the Utah state agency licensing program, SIRCON, which contains the current list of the agents appointed/terminated as submitted by the Company. The Company is not in compliance with U.A.C. R590-244-11.

As of December 31, 2013, the Company was licensed in the following seventeen (17) states:

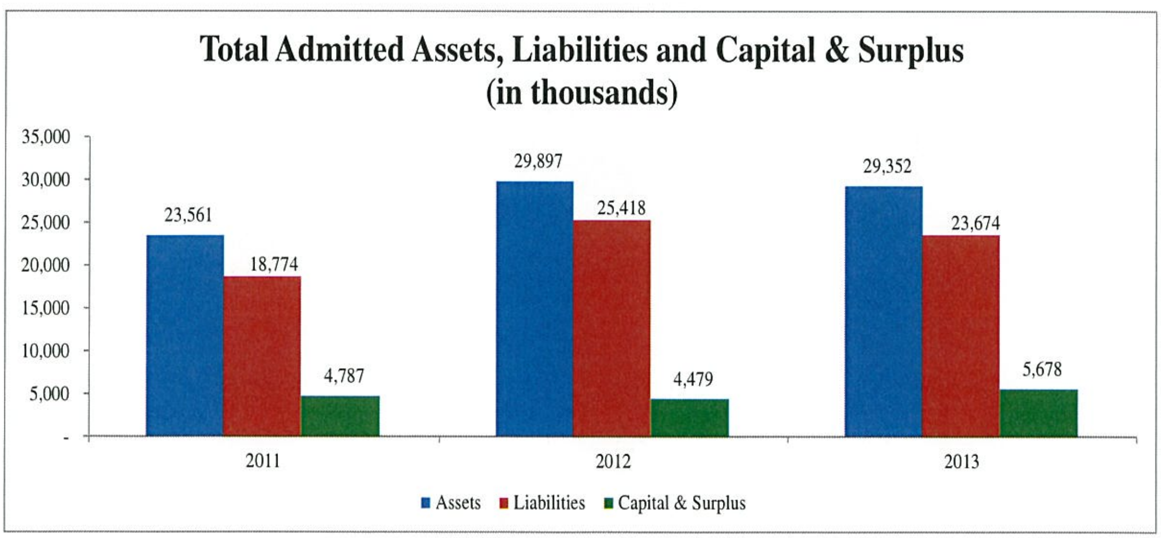
Alabama	Kentucky	North Carolina	Texas
Colorado	Louisiana	North Dakota	Utah
Florida	Mississippi	South Carolina	
Georgia	Missouri	South Dakota	
Indiana	Nevada	Tennessee	

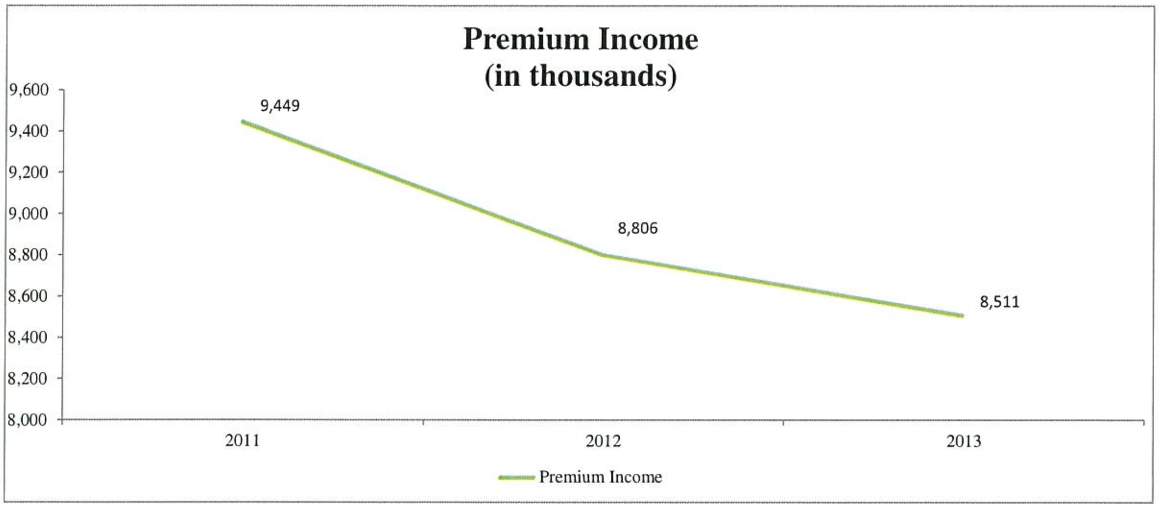
Subsequent to the examination date, the Company was approved for additional licenses in Oklahoma, Ohio, and Arkansas.

GROWTH OF COMPANY

Premium income slightly decreased from year to year during this examination period. The Company's total assets increased approximately $6.3 million in 2012 compared to 2011. The increase of assets corresponded with the increase of liabilities for the same year, which was the result of the Company borrowing money to purchase a property held for the production of income. Surplus growth has occurred through capital contributions from the parent company.

See the following graphs for key figures in evaluating the growth of the Company over the examination period.





MORTALITY AND LOSS EXPERIENCE

The actuarial examination indicates that the Company generally followed appropriate procedures in determining its actuarial reserves and liabilities.

Underwriting results for the period under examination are as follows:

	2011	2012	2013
Life (net of reinsurance)			
Net amount at risk	$100,075,000	$110,866,000	$125,788,000
Premium income	$3,078,048	$3,632,068	$4,501,846
Death benefits incurred	$912,253	$1,124,825	$1,351,514
Accident & Health (net of reinsurance)			
Premium income	$7,355,288	$5,167,763	$4,004,528
Claims	$3,780,292	$3,201,424	$2,069,945
Net loss ratio	51%	60%	52%

REINSURANCE

Assumed

All assumed reinsurance agreements are in runoff status with no new business being written on the reinsurance agreements. A summary of all the agreements is as follow:

Effective July 1, 1970, the Company reinsured life policies for Cincinnati Life Insurance Company on an automatic coinsurance basis. Reinsurance was on an 80/20 percentage basis, with the Company assuming 20% of the risks.

Effective February 1, 1969, the Company provided reinsurance for Protective Life Insurance Company ("Protective"; formerly Conseco Variable Insurance Company) and Conseco Life Insurance Company ("Conseco") on an automatic coinsurance basis. The Company coinsured 20% of the face amount of the life insurance written by Protective and Conseco. The business covered by the Company was split. Texas policies were placed with Conseco and all other policies were left in Conseco Variable Insurance Company.

Effective December 1, 1964, the Company provided reinsurance to Equitable Life and Casualty Insurance Company ("Equitable") on an automatic coinsurance basis. Equitable retained $10 per $1,000 of insurance; 65% of the pro-rata gross premium; plus the commission on such pro-rata premium for its modified whole life policies insured for $10,000.

Effective June 22, 1970, the Company provided reinsurance to Symetra Life Insurance Company ("Symetra"; formerly Safeco Life Insurance Company), on a yearly renewable term basis. The company retained 20% of the face amount of the life insurance written by Symetra.

Ceded

The Company has a number of reinsurance agreements with Optimum Re Insurance Company that are now in runoff or inactive status. Those agreements cover life insurance policies written by the Company prior to 2004. All active life insurance policies written 2004 are not reinsured. The highest face amount of those policies are $50,000.

Effective August 1, 2013, the Company entered into medical excess reinsurance agreement with Westport Insurance Corporation ("Westport"), a Swiss Re company, through Summit Re. Westport covers losses above $200,000, with the Company being responsible for 100% of losses related to short term medical under $200,000. The Company cedes losses in excess of $125,000, as related to Plans B, C, and D and is responsible for 100% of the losses under $125,000. The aggregate reinsurance limitation for each covered person per agreement period and lifetime is $2,000,000.

In addition, Company executed an agreement with Mutual of Omaha Insurance Company ("Mutual of Omaha") effective April 1, 2014 to reinsure its Medicare Supplement business. In an effort to mitigate the overall exposure and anticipated expense strain associated with the Medicare Supplement business, the Company cedes 90% of its new covered business as defined in the agreement to Mutual of Omaha.

ACCOUNTS AND RECORDS

Larson & Company, an independent certified public accounting firm, audited the Company's records during the period covered by this examination. Audit reports generated by the auditors for the years 2011 through 2013 contained unqualified opinions and were made available for the examiners' use.

An Information Technology (IT) Specialist performed a review of the Company's IT system controls for purposes of reliance by the examiners. The IT Specialist prepared a separate assessment report, which was incorporated into the examination workpapers.

The Company's custodial agreement with Wells Fargo Bank Northwest, N.A. dated September 2001 is not in compliance with U.A.C. R590-178. The agreement did not contain certain required languages as required by U.A.C. R590-178.

In addition, a revised custodial agreement executed with Morgan Stanley Smith Barney on July 6, 2011 was not authorized by a board resolution in accordance with U.A.C. R590-178-5(B), which states, "Agreements shall be in writing and shall be authorized by a resolution of the Board of Directors of the insurance company or of an authorized committee of the board pursuant to 31A-5-412."

Management agreed with the finding and is working to resolve the issue

STATUTORY DEPOSITS

U.C.A. § 31A-5-211(2)(a) requires the Company to maintain minimum capital requirement of $400,00. As of the examination date, the Company's statutory deposit appropriately met that requirement. The Company also maintained deposits with other state insurance regulators as listed below.

State	Fair Value	Book Value
Utah	1,165,709	1,624,440
Arizona	159,589	153,064
Florida	249,778	229,225
Georgia	29,963	30,263
Montana	80,158	80,153
Nevada	211,482	201,658
New Mexico	109,949	110,511
North Carolina	554,936	501,712
South Carolina	150,163	154,706
Tennessee	124,410	112,969
Texas	150,000	139,313
Virginia	247,570	240,775
Total:	**$3,120,056**	**$3,692,438**

FINANCIAL STATEMENTS

The following financial statements were prepared from the Company's accounting records and the valuations and determination made during the examination. The accompanying COMMENTS ON FINANCIAL STATEMENTS are an integral part of the financial statements.

STANDARD LIFE AND CASUALTY INSURANCE COMPANY

ASSETS

as of December 31, 2013

		Net Admitted Assets
Bonds	$	17,759,272
Mortgage loans		7,004,596
Properties held for the production of income		189,117
Cash and short-term investments		907,945
Contract loans		928,732
Aggregate write-ins for invested assets		45,509
Subtotals, cash and invested assets		26,835,172
Investment income due and accrued		200,473
Uncollected premiums and agents' balances in the course of collection		68,975
Deferred premiums and installments booked but deferred and not yet due		1,792,243
Current federal and foreign income tax recoverable and interest thereon		130,000
Net deferred tax asset		321,412
Electronic data processing equipment and software		3,427
Total assets	$	29,351,702

STANDARD LIFE AND CASUALTY INSURANCE COMPANY
LIABILITIES, SURPLUS AND OTHER FUNDS
as of December 31, 2013

Liabilities

Aggregate reserve for life contracts	$	17,126,413
Aggregate reserve for accident and health contracts		170,621
Liability for deposit-type contracts		1,202,716
Contract claims-life		228,588
Contract claims-accident and health		305,992
Provision for policyholders' dividends not yet apportioned		16,669
Amount provisionally held for deferred dividend		8,868
Premium and annuity considerations received in advance		23,767
Provision for experience rating refunds		98,200
Interest maintenance reserve (IMR)		91,077
Commissions to agents due or accrued		11,957
General expenses due or accrued		97,550
Taxes, licenses and fees due or accrued, excluding federal income taxes		105,000
Current federal and foreign income taxes		21,863
Remittances and items not allocated		111,125
Unearned investment income		282,575
Amounts withheld or retained by company		1,233,564
Amounts held for agents' account		154,032
Remittances and items not allocated		1,245,812
Borrowed money and interest thereon		3,888,666
Dividends to stockholders declared and unpaid		19,742
Asset valuation reserve (AVR)		109,798
Payable to parent, subsidiaries and affiliates		72,695
Aggregate write-ins for liabilities		35,630
Total liabilities	$	23,674,041

Capital and Surplus

Common capital stock	$	1,627,500
Gross paid in and contributed surplus		1,078,818
Unassigned funds (surplus)		2,971,343
Total capital and surplus		5,677,661
Total liabilities, capital and surplus	$	29,351,702

STANDARD LIFE AND CASUALTY INSURANCE COMPANY
SUMMARY OF OPERATIONS
For the fiscal year ended December 31, 2013

Premiums and annuity considerations for life and A&H contracts	$	8,510,906
Net investment income		981,291
Amortization of Interest Maintenance Reserve (IMR)		15,228
Commissions and expense allowances on reinsurance ceded		607
Total revenues		9,508,032
Death benefits		1,351,514
Matured endowments		9,385
Annuity benefits		34,499
Disability benefits and benefits under A&H contracts		312,681
Surrender benefits and withdrawals for life contracts		5,018,341
Interest and adjustments on contract or deposit-type contract funds		34,020
Payments on supplementary contracts with life contingencies		17,250
Increase in aggregate reserves for life and A&H contracts		977,966
Total benefits and reserves		4,807,260
Commissions on premiums, annuities, and deposit-type contract funds		2,219,414
Commissions and expense allowances on reinsurance assumed		945
General insurance expenses		1,827,518
Insurance taxes, licenses and fees, excluding federal income taxes		329,908
Increase in loading on deferred and uncollected premiums		183,503
Aggregate write-ins for deductions		1,800
Total		9,370,148
Net gain from operations before dividends and federal income taxes		137,884
Dividends to policyholders		22,972
Net gain from operations after dividends and before federal income taxes		114,912
Federal and foreign income taxes incurred		21,863
Net gain from operations after dividends and taxes & before capital gains		93,049
Net realized capital gains (losses)		521,289
Net income (loss)	$	614,338

STANDARD LIFE AND CASUALTY INSURANCE COMPANY
RECONCILIATION OF CAPITAL AND SURPLUS
2011 through 2013

	2011	2012	2013
Capital and surplus prior reporting year	$ 4,752,043	$ 4,004,653	$ 4,478,605
Net income (loss)	(112,459)	459,825	614,338
Change in net unrealized capital gains (losses)	(61,365)	40,042	(75,000)
Change in net deferred income tax	34,669	197,563	29,778
Change in non-admitted assets	(41,001)	50,224	5,124
Change in asset valuation reserve	(107,995)	(122,485)	174,551
Capital changes- Paid in	(2,693)	6,720	0
Surplus adjustment- Paid in	(180)	(20,528)	800,00
Dividends to stockholders	(456,366)	(137,410)	(296,000)
Aggregate write-ins for gains & losses in surplus	0	0	(53,734)
Net change in capital and surplus	(747,390)	473,952	1,199,056
Capital and surplus end of reporting year	$ 4,004,653	$ 4,478,605	$ 5,677,661

COMMENTS ON FINANCIAL STATEMENTS

<u>Capital and Surplus</u> <u>$5,677,661</u>

The Company's capital and surplus was determined to be the same as that reported in the Company's annual statements as of December 31, 2013. The capital and surplus significantly exceeded the authorized control level risk-based capital. No adjustments were determined necessary for examination purposes.

ACKNOWLEDGEMENT

Joseph C. Higgins, FSA, MAAA, INS Consultants, Inc., performed the examination actuarial review of the Company. Tracy D. Gates, CISA, CPA, CFE, of Highland Clark, performed the information technology review. Donald Catmull, CFE, Assistant Chief Examiner, supervised the examination. In addition, Scott K. Eady, CPA, CFE, and Brian A. Menard, CFE, FLMI, of AGI Services, Inc., and Joseph Boyle of Utah Insurance Department, participated in the examination. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers and representatives of the Company.

Respectfully Submitted,

Malis Rasmussen, CFE, SPIR
Examiner-in-Charge
Utah Insurance Department